



# Department of Justice



United States Attorney Benjamin B. Wagner  
Eastern District of California

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## **MODESTO CENTURY 21-APOLLO REALTY OWNER CHARGED WITH DEFRAUDING ELDERLY HOMEOWNERS**

***\$10 Million in Losses Alleged***

FRESNO, Calif. — United States Attorney Benjamin B. Wagner and Stanislaus County District Attorney Birgit Fladager announced that yesterday a federal grand jury returned an indictment charging James Lee Lankford, 71, of Modesto, with 49 counts of mail fraud, and Jon Vance McDade, 46, also of Modesto, with 49 counts of mail fraud and one count of bank fraud.

This case is the product of an investigation by the Federal Bureau of Investigation and the Real Estate Fraud Unit of the Stanislaus County District Attorney's Office. Assistant United States Attorney Michele Thielhorn is prosecuting the case.

The indictment alleges that Jim Lankford, who is the owner/broker of Century 21-Apollo Realty in Modesto, and Jon Vance McDade, who is Lankford's roommate, devised a scheme to defraud elderly property owners and lending institutions out of money and property. Specifically, the indictment alleges that Lankford and McDade would find elderly property owners who wanted to sell their property with no listing agent. Lankford and McDade would then induce the elderly property owner to sell their home to one of them and enter into a "straight note" contract for a portion of the purchase price, under which the defendant would make interest-only payments to the seller for five to 10 years, with the principal amount owed to the seller at the end of that period. The defendants then obtained conventional financing to purchase the same properties in the form of a mortgage from a lending institution, but did not disclose to the lending institution the seller-backed financing. The indictment alleges that the defendants would divert the proceeds of the mortgage loan to themselves, and would lull the elderly property owners by mailing them monthly interest-only payments.

The indictment also alleges that Lankford and McDade made material misrepresentations on the loan applications, and in some instances, submitted falsified documents regarding monthly income to the lending institutions. The defendants allegedly caused fraudulent loan applications to be submitted Countrywide, World Savings Bank, GreenPoint, Wachovia, Seaforth Mortgage, Aegis, Sierra Pacific, and Alliance Bancorp.

The indictment alleges that in many instances Lankford and McDade subsequently sought to refinance the property with another lending institution to draw out any remaining equity in the property. In connection with refinancing transactions, Lankford allegedly deceived some of the elderly property owners into signing documents indicating that they had been paid in full. Many of the properties were later allowed to go into foreclosure, or were sold in short sales through Lankford's real estate business. The indictment alleges that the defendants' conduct caused losses to the victim elderly property owners, lending institutions, and banks of at least \$10 million.

The indictment also charges Jon Vance McDade with one count of bank fraud for submitting a loan application for the refinancing of property at 3331 Wycliffe Drive in Modesto that contained false salary information and false representations regarding his assets and debts. According to the indictment, this bank fraud caused a loss of approximately \$580,000 to Wachovia/Wells Fargo Bank.

Lankford and McDade were arrested this morning in Pacific Grove, Calif. They are scheduled to appear in federal magistrate court in San Francisco this afternoon.

The maximum statutory penalty for each count of mail fraud is 20 years in prison, a \$250,000 fine and up to three years supervised release following incarceration. The maximum statutory penalty for bank fraud is 30 years in prison, a \$1 million fine, and up to five years supervised release following incarceration. The actual sentence, however, will be determined at the discretion of the court after consideration of any applicable statutory factors and the Federal Sentencing Guidelines, which take into account a number of variables.

The charges are only allegations and the defendants are presumed innocent until and unless proven guilty beyond a reasonable doubt.

This law enforcement action is part of the work being done by President Barack Obama's Financial Fraud Enforcement Task Force. President Obama established the interagency Financial Fraud Enforcement Task Force to wage an aggressive, coordinated and proactive effort to investigate and prosecute financial crimes. The task force includes representatives from a broad range of federal agencies, regulatory authorities, inspectors general, and state and local law enforcement who, working together, bring to bear a powerful array of criminal and civil enforcement resources. The task force is working to improve efforts across the federal executive branch, and with state and local partners, to investigate and prosecute significant financial crimes, ensure just and effective punishment for those who perpetrate financial crimes, combat discrimination in the lending and financial markets, and recover proceeds for victims of financial crimes. One component of the FFETF is the national Securities Fraud Working Group, which is tasked with combating investment fraud schemes. For more information on the task force, visit ***[StopFraud.gov](http://StopFraud.gov)***.

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